

R00A07 Interagency Commission on School Construction

Program Description

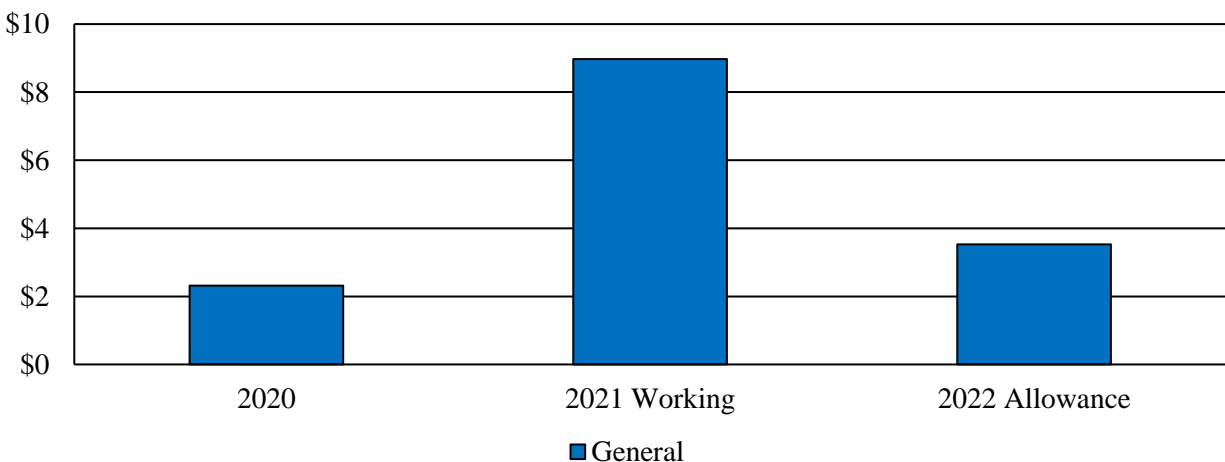
The Interagency Commission on School Construction (IAC) is an independent agency within the Maryland State Department of Education (MSDE) that reviews, analyzes, and approves requests for State school construction funds distributed to local school systems (LSS). IAC's goals are to promote (1) equity in the quality of school facilities throughout the State and (2) well-maintained, safe physical environments for teaching and learning.

Previously under the authority of the Board of Public Works (BPW), the 21st Century School Facilities Act (Chapter 14 of 2018) created IAC as an independent commission within MSDE and expanded its membership and staff. In this expanded form, members of the commission include the State Superintendent of Schools, the Secretary of Planning, the Secretary of General Services, two members of the public appointed by the Governor, two members of the public appointed by the President of the Senate, and two members of the public appointed by the Speaker of the House of Delegates. IAC staff assist the commission to administer the Public School Construction Program, which is the largest school construction grant program in the State, as well as State supplemental grants, including the Aging Schools Program for public and nonpublic schools.

More information on the State's public school construction program and supplemental grants can be found in the IAC Capital Analysis (RA0702).

Operating Budget Summary

Fiscal 2022 Budget Decreases \$5.4 Million, or 60.3%, to \$3.6 Million (\$ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increases.

Fiscal 2021

Proposed Deficiency

The fiscal 2022 proposed budget provides IAC with a one-time \$5.8 million general fund deficiency appropriation in fiscal 2021 for a Statewide Facilities Assessment (SFA). The assessment, which is scheduled to be completed by July 2021, is discussed in greater detail in the Key Observations section of this analysis.

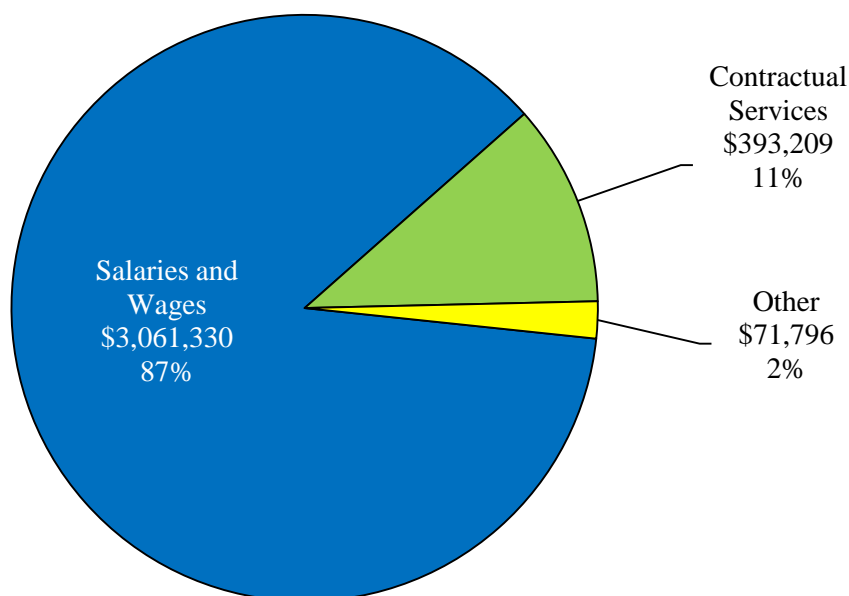
Cost Containment

In response to fiscal concerns related to the COVID-19 pandemic, BPW proposed \$413 million in fiscal 2021 cost containment actions at its July 1, 2020 meeting. Although IAC did not have agency-specific reductions to its budget, the agency's portion of the across-the-board cut to unemployment insurance totaled \$8,841.

Fiscal 2022 Overview of Agency Spending

IAC's fiscal 2022 allowance is approximately \$3.6 million in general funds. **Exhibit 1** shows the overview of the agency's proposed budget by spending category, which is driven primarily by personnel expenses. Expenses beyond the cost of the agency's 27 employees account for about \$500,000 of the total budget.

Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance



Source: Governor's Fiscal 2022 Budget Books

In fiscal 2022, IAC's allocation for personnel increases to slightly more than \$3.0 million, which represents 87% of the agency's total allocation. Of this amount, \$1,973,475 is regular earnings, \$422,307 is health insurance and retiree health insurance premiums, \$418,265 is employee retirement, \$313,590 is reclassifications, \$143,554 is Social Security, and \$9,025 is unemployment compensation. The remaining \$318 is designated for turnover.

Contractual services receive an allocation of \$393,209, or 11.1%, of IAC's budget. Of this amount, \$375,000 is for consulting services, and the remaining \$18,209 is designated for equipment rental, software maintenance, and fees. Additional expenditures make up the remaining \$71,796, or 2%, of this budget. Of this amount, \$26,720 is allocated to motor vehicles, including \$21,920 for garage rent; \$17,794 is allocated for additional equipment; \$14,794 is allocated for data processing workstations and peripherals; \$11,045 is allocated for supplies and materials, including \$10,000 for data processing supplies; \$6,920 is allocated for fixed charges, including \$5,000 for association dues; \$5,555 is allocated for communications; and \$3,762 is allocated for travel expenses.

Proposed Budget Change

The fiscal 2022 allowance for IAC is approximately \$3.6 million, which is a decrease of \$5.4 million and 60.3% less than the fiscal 2021 working appropriation. These proposed budget changes are shown in **Exhibit 2**.

Exhibit 2 Proposed Budget Interagency Commission on School Construction (\$ in Thousands)

How Much It Grows:	General Fund	Total
Fiscal 2020 Actual	\$2,317	\$2,317
Fiscal 2021 Working Appropriation	8,996	8,996
Fiscal 2022 Allowance	<u>3,575</u>	<u>3,575</u>
Fiscal 2021-2022 Amount Change	-\$5,421	-\$5,421
Fiscal 2021-2022 Percent Change	-60.3%	-60.3%

Where It Goes:	Change
Personnel Expenses	
Regular earnings	\$66
Annualized fiscal 2021 2% cost-of-living adjustment.....	27
Employee retirement	10
Employee and retiree health insurance	9
Unemployment compensation	9
Social Security contributions.....	5
Reclassifications	-67
Other Changes	
Consulting services for the Statewide Facilities Assessment (SFA)	375
Equipment rental charges	7
Duplicating equipment	-3
Office supplies.....	-9
In-state travel expenses due to less State travel.....	-13
Deficiency allocation in fiscal 2021 for the SFA	-5,837
Total	-\$5,421

Note: Numbers may not sum to total due to rounding.

For fiscal 2022, the IAC allowance does not add any new positions. The largest funding increase is an additional \$375,000 for consulting services needed in fiscal 2022 for training IAC personnel on the new facilities assessment and \$24,000 in total savings for office supplies, travel, and duplicating equipment due to cost-cutting measures. The one-time expense of funding the contract for the SFA in fiscal 2021 is reflected in the \$5.4 million decrease in this allowance.

Personnel Data

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 21-22</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	27.00	27.00	27.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	27.00	27.00	27.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.32	8.60%
Positions and Percentage Vacant as of 12/31/20	6.00	22.22%

Vacancies Above (Below) Turnover	3.68
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- IAC currently has 21 of 27 positions filled. The agency's current vacancy rate is 22%, compared to 44% at the same time last year. IAC's budgeted turnover rate is 8.60%, and vacancies above turnover are 3.68 positions. Further discussion of IAC personnel data is located in the Key Observations section of this analysis.

Key Observations

1. Ongoing Implementation of the 21st Century School Facilities Act of 2018

Chapter 14 of 2018 required a comprehensive review of the State’s current process to assess and fund public school construction. This law reconstituted IAC as an independent agency within MSDE, authorized new positions, expanded IAC staff responsibilities, and created two new workgroups to examine school construction planning and funding. It also required IAC to conduct a SFA, adopt and implement an integrated master facilities asset library (IMFAL), and hire additional personnel to meet Chapter 14 requirements. In calendar 2020, these tasks were delayed by a variety of factors, including COVID-19.

SFA to be Complete by July 2021

Chapter 14 required IAC to (1) contract with a third-party vendor to complete a SFA by July 1, 2019; (2) coordinate with LSS to identify data elements for the assessment; and (3) develop standards and procedures to comprehensively update the State’s data on the condition of school facilities so that this data is not more than four years old. In 2019, the Workgroup on the Assessment and Funding of School Facilities reported that the first step in the assessment of the condition of State school facilities was to use an industry standard methodology called the facility condition index (FCI). This tool is used to quantify the attributes of a school facility and estimate the cost to achieve and maintain the physical condition of a building, in order to provide a standardized comparison rating of building condition.

Following the collection of FCI data on State school buildings, the workgroup suggested that the State create a new tool called the Maryland Condition Index (MDCI). This index would be calculated from the base formula of the FCI but take into account the value to correct deviations from the Maryland Educational Facilities Sufficiency Standards. As proposed, the MDCI uses a categorical weighting system to determine the relative value of corrective issues in State school buildings, with corrections that pose an immediate threat to health and safety weighted more heavily than building systems that might be old but remain functional.

In September 2020, BPW approved a contract with Bureau Veritas Technical Assessments, LLC of Maryland for the SFA. This contract has the following requirements: (1) conduct a pilot of the FCI assessment rubric to refine the assessment tool; (2) use the assessment rubric to collect FCI data on all schools in the State; and (3) use these data to run “what-if” scenarios on the categorical weighting system for the MDCI. At this time, IAC reports that the vendor has completed the pilot and expects 50% of 1,380 SFAs to be completed by March 2021 and the remaining 50% to be completed by July 2021. The vendor will also submit an interim report after the first 50% of school assessments are completed and a final report in January 2022. **Exhibit 3** displays IAC milestones for this project as reported in the 2020 *Joint Chairman’s Report*.

Exhibit 3
Milestones for Statewide Facilities Assessment
Calendar 2020-2022

<u>Milestones</u>	<u>Intended Date of Completion</u>
Begin Assessment of First 50% of Facilities	December 7, 2020
Complete Assessment of First 50% of Facilities	March 2, 2021
Contractor Preliminary Report on First 50% of Facilities	March 12, 2021
Complete Assessment of Second 50% of Facilities	July 15, 2021
Final Report Summarizing Results of Full Assessment	January 15, 2022

Source: Interagency Commission on School Construction; Department of Legislative Services

Due to the two-year delay in the SFA, the Workgroup on the Assessment and Funding of School Facilities has not yet completed its work. Chapter 20 of 2020 (Built to Learn Act) extended the deadline for the workgroup's final report to December 1, 2021. (Chapter 20 taking effect is contingent on enactment of HB 1300.) In order for the workgroup to make its final recommendations regarding the weighting of MDCI and whether the SFA results should be used for funding allocations for school construction projects as early as fiscal 2023, the SFA data must be made available to the workgroup prior to the January 2022 final report.

Based on this completion schedule and the availability of 100% of FCI data by July 15, 2021, the Department of Legislative Services (DLS) recommends the adoption of budget bill language for IAC to submit a draft of the final SFA report by September 1, 2021. This report should incorporate the contractor's preliminary report and provide the following information: (1) details of the assessment pilot and a copy of the final assessment rubric; (2) FCI data on all school facilities assessed; and (3) detail of project expenditures by object and subobject.

IAC Personnel Vacancies Persist into Fiscal 2021

IAC is an independent agency within MSDE, but hiring IAC staff is the responsibility of MSDE's Office of Human Resources. Chapter 14 required MSDE to hire additional IAC staff to manage enhanced responsibilities with school facilities assessment, data collection and reporting, and serving LSS needs. Currently, the commission has 6 unfilled positions – 2 positions have remained vacant since fiscal 2019, and 4 positions have been recently vacated. At this time, the State is under a hiring freeze that does not necessarily allow MSDE to move forward on filling vacancies expeditiously, if at all. **Exhibit 4** shows IAC's vacancies as of January 2021.

Exhibit 4
Interagency Commission on School Construction Vacancies
Fiscal 2021

<u>Classification</u>	<u>Date Vacant</u>	<u>Months Vacant</u>	<u>Fiscal 2021 Appropriation</u>
Computer Information Services Specialist	December 31, 2018	25	\$58,091
Administrator III	April 23, 2019	20	74,605
Administrator I	July 1, 2020	7	46,942
Program Manager III	July 1, 2020	7	64,565
Administrative Officer III	September 8, 2020	6	44,989
Program Manager III	November 4, 2020	2	110,546
Total			\$399,738

Source: Maryland State Department of Education; Department of Legislative Services

Because of the requirements of Chapter 14 and the significant delay in filling staff positions that preceded the COVID-19 hiring freeze, DLS recommends that the budget committees add budget bill language restricting funds specifically for the purpose of filling 3 vacant positions at IAC by October 1, 2021.

Additionally, DLS recommends IAC and MSDE submit a status report to the budget committees by December 15, 2021, on IAC hires and vacancies in calendar 2021. This report should include (1) current salary data and classification for all IAC personnel; (2) an updated organizational chart with current vacancies and additional personnel needed to meet Chapter 14 requirements; (3) pending reclassifications and funds remaining for new hires; and (4) MSDE's future plans to request funds for additional personnel.

IMFAL Implementation Delayed

Chapter 14 required IAC to build a cloud-based, asset library that would integrate preventive maintenance and facilities assessment data and allow LSS to access these data electronically. At that time, the expected cost for this project was \$1.5 million, with an annual maintenance cost over the next five years. In February 2020, IAC issued a request for proposals (RFP) for this project and expected to secure a contractor by September 2020. In November 2020, the original solicitation was terminated before a vendor was selected.

Currently, the Department of Information Technology and MSDE are reviewing an updated RFP prior to resolicitation, which is scheduled for February 2021. The updated cost of this project starting in fiscal 2022 is \$1.0 million, with continued maintenance costs totaling \$2,320,000 through fiscal 2025. As a Major Information Technology Department Project, this project receives funding in fiscal 2022 and, if approved, would be completed in September 2022.

Due to the continued delay in procurement and implementation with IMFAL, DLS recommends the adoption of committee narrative for IAC to submit a status update on this project by August 1, 2021.

Managing for Results Measure Updated to Reflect Statewide Facilities Assessment Goals

Chapter 14 requires that school facility assessment data not be more than four years old, regardless of school building condition. As part of the SFA, IAC will inspect all schools in the State by July 2021. Last year, the budget committees requested that IAC revise the Managing for Results (MFR) measure to comply with statutory requirements to include, at a minimum, a measure of “total number of school buildings surveyed per year.” IAC submitted a revised MFR measure in compliance with statutory requirements, which states that each fiscal year, IAC will conduct a facility condition assessment of approximately 345 schools, so that each school’s condition assessment is not older than four years. IAC plans to use this revised measure starting in fiscal 2022.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

. provided that \$100,000 of this appropriation may not be expended until the Interagency Commission on School Construction submits to the budget committees a draft of the final report on the Statewide Facilities Assessment. This report shall incorporate the contractor's preliminary report and provide the following information: (1) data from the assessment pilot and a copy of the final assessment rubric; (2) facilities condition index data on all school facilities assessed; and (3) detail of project expenditures by object and subobject. The report shall be submitted by September 1, 2021, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: Chapter 14 of 2018 requires the Interagency Commission on School Construction (IAC) to conduct the Statewide Facilities Assessment (SFA) so that data on the condition of State school facilities are not more than four years old. The SFA started in October 2020; assessments are expected to be completed by July 2021 and a final report issued in January 2022. This language directs IAC to submit a draft of the final report following the collection of facilities condition index data in order to provide the budget committees with timely information on the condition of school facilities.

Information Request	Author	Due Date
Draft of final report on SFA	IAC	September 1, 2021

2. Add the following language to the general fund appropriation:

Further provided that \$190,035 of this appropriation made for the purpose of funding salary and fringe benefit expenses for 3 currently vacant positions shall be restricted for that purpose only and may only be expended if those positions are filled by October 1, 2021. The Interagency Commission on School Construction (IAC) shall submit a report to the budget committees by October 15, 2021, on the status of filling 3 of the 6 vacancies. The budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report shall not be transferred by budget amendment or otherwise for any other purpose and shall revert to the General Fund if the requirements of this restriction are not met.

Further provided that IAC and the Maryland State Department of Education (MSDE) shall submit a status report by December 15, 2021, to the budget committees on IAC hires and vacancies in calendar 2021. This report shall include (1) current salary data and classification for all IAC personnel; (2) an updated organizational chart with current vacancies and additional personnel needed to meet Chapter 14 of 2018 requirements; (3) pending reclassifications and

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funds remaining for new hires; and (4) MSDE’s future plans to request funds for additional personnel to meet its enhanced responsibilities.

Explanation: Chapter 14 required MSDE to hire additional IAC staff to manage additional responsibilities with school facilities assessment, data collection and reporting, and serving local school system needs. Currently, the commission has 6 unfilled positions – 2 positions have remained vacant since fiscal 2019, and 4 positions have been recently vacated. This budget language directs MSDE to begin hiring IAC staff to fill prior obligations and current needs and submit a status report at the end of 2021 assessing its current and future staffing requirements.

Information Request	Authors	Due Date
Certification of 3 new hires	IAC	October 15, 2021
Status report on IAC staffing	MSDE IAC	December 15, 2021

3. **Status Update on Integrated Master Facilities Asset Library.** Chapter 14 of 2018 required the Interagency Commission on School Construction (IAC) to build a cloud-based, asset library that would integrate preventive maintenance and facilities assessment data and allow local school systems (LSS) to access these data electronically. The budget committees are concerned with the delays in procuring a contract to create the integrated master facilities asset library (IMFAL). Although a new timeline has been developed estimating the project to be resolicited in February 2021 with a delivery date of September 2022, the committees recognize the importance of establishing this tool for LSS and are interested in continuing to monitor this issue. As such, the budget committees request that IAC submit a status report on the IMFAL procurement and implementation by August 1, 2021, in order to provide an update on the agency’s progress in meeting Chapter 14 requirements.

Information Request	Author	Due Date
Status report on IMFAL	IAC	August 1, 2021

Appendix 1

2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Interagency Commission on School Construction (IAC) prepare four reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Status of Statewide Facilities Assessment (SFA):*** Chapter 14 of 2018 required IAC to conduct the SFA by July 2019. Due to a delay in the procurement of a vendor to conduct this assessment, the budget committees requested a status update in July 2020. IAC submitted this update; however, because the SFA had not been procured, the chairmen asked IAC to resubmit the JCR response within 60 days of SFA procurement. Further discussion of this JCR response is in the Key Observations section of this analysis.
- ***Status Update on the Integrated Master Facilities Asset Library (IMFAL):*** Chapter 14 of 2018 required IAC to build an IMFAL in order to provide maintenance and facilities data to local school systems. Due to a delay in the procurement of this system, the budget committees requested a status update in September 2020. IAC submitted this update with information on the design of the IMFAL system. However, procurement of this system has not yet occurred. Further discussion of this JCR response is in the Key Observations section of this analysis.
- ***Status Update on IAC Staffing:*** As part of Chapter 14 of 2018, IAC received funds for additional positions. Due to hiring challenges and the potential impact of these vacancies on the implementation of statutory requirements in Chapter 14, the budget committees requested a status update on IAC hiring in July 2020. Further discussion of this JCR response is in the Key Observations section of this analysis.
- ***Revision of IAC’s Managing for Results (MFR) Measure:*** Chapter 14 of 2018 requires school building assessment data to be no less than four years old. The current MFR measure is a cumulative measure that uses a six-year assessment cycle. Due to this misalignment with Chapter 14 requirements, the budget committees asked IAC to redesign the school facilities assessment MFR for fiscal 2022. Further discussion of this JCR response is in the Key Observations section of this analysis.

Appendix 2
Interagency Commission on School Construction Business Management System
Major Information Technology Project

See the Key Observations section of this analysis for more information on this project.

New/Ongoing: New								
Start Date (estimated): 7/12/2021				Est. Completion Date: 9/02/2022				
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2021	2022	2023	2024	2025	2026	Total
GF	\$0.0	\$0.0	\$1,050.0	\$600.0	\$560.0	\$1,160.0	\$0.0	\$3,370.0
Total	\$0.0	\$0.0	\$1,050.0	\$600.0	\$560.0	\$1,160.0	\$0.0	\$3,370.0

- **Project Summary:** This project procures and establishes a state-of-the-art, configurable, online business management system that will contain, route, and save the documents and information related to the Interagency Commission on School Construction (IAC)’s many business processes. It is intended to streamline and enhance agency business processes and operational efficiencies.
- **Need:** Under Chapter 14 of 2018, IAC is mandated to “utilize . . . technology to streamline compliance review and project deliveries.” To meet this requirement, IAC needs a robust online solution to manage asset tracking, capital planning, engineering, site approval, design review, delivery, funding, payment, accounting, and completion processes, including tracking of post-occupancy and warranty materials. This system will be utilized by all 24 local school systems and the Maryland School for the Blind for that purpose.
- **Observations and Milestones:** The project start date was originally August 2020. However, due to procurement delays and the cancellation of the most recent request for proposals in November 2020, this project will not enter procurement until February 2021. If the implementation schedule remains as in this proposal, the project would be completed by September 2022.
- **Changes:** Adjustments to the schedule are ongoing due to procurement delays.
- **Concerns:** (1) IAC has limited information technology staff for on-boarding this system, which could interfere with system configuration and implementation. (2) IAC’s business processes are mandated primarily by statute and are not necessarily modifiable or flexible. Therefore, there may be a technical challenge in configuring this system to meet mandated requirements.

Appendix 3
Object/Fund Difference Report
Interagency Commission on School Construction

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	27.00	27.00	27.00	0.00	0%
Total Positions	27.00	27.00	27.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 2,135,146	\$ 3,028,621	\$ 3,061,330	\$ 32,709	1.1%
02 Technical and Spec. Fees	11,990	0	0	0	0.0%
03 Communication	7,151	5,555	5,555	0	0%
04 Travel	20,542	16,512	3,762	-12,750	-77.2%
07 Motor Vehicles	51,674	26,720	26,720	0	0%
08 Contractual Services	44,496	11,561	393,209	381,648	3301.2%
09 Supplies and Materials	23,292	20,045	11,045	-9,000	-44.9%
10 Equipment – Replacement	0	3,500	0	-3,500	-100.0%
11 Equipment – Additional	15,266	17,794	17,794	0	0%
13 Fixed Charges	7,419	6,920	6,920	0	0%
Total Objects	\$ 2,316,976	\$ 3,137,228	\$ 3,526,335	\$ 389,107	12.4%
Funds					
01 General Fund	\$ 2,316,976	\$ 3,137,228	\$ 3,526,335	\$ 389,107	12.4%
Total Funds	\$ 2,316,976	\$ 3,137,228	\$ 3,526,335	\$ 389,107	12.4%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.